



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 20, 2000

H.R. 1102 **Retirement Security and Savings Act of 2000**

As ordered reported by the Senate Committee on Finance on September 7, 2000

SUMMARY

H.R. 1102 would increase the maximum contribution limit for Individual Retirement Accounts (IRAs) to \$3,000 in 2001, \$4,000 in 2002, and \$5,000 in 2003. After 2003, the maximum contribution rate would be indexed for inflation. The bill also would increase the maximum IRA contribution by 50 percent for individuals aged 50 or older, increase adjusted gross income (AGI) limits for deductible IRA contributions, including those AGI limits for married taxpayers filing separately, treat voluntary contributions to secondary accounts under qualified retirement plans as IRAs not subject to Internal Revenue Code rules for qualified retirement plans, and exclude amounts withdrawn from IRAs for charitable purposes from the gross income of taxpayers. The bill also would increase income limits for contributions to Roth IRAs made by taxpayers filing jointly to twice the income limits for those contributions made by taxpayers filing singly and would increase the income limit for conversions of an IRA to a Roth IRA for taxpayers filing jointly. In addition, the bill would make numerous changes to pension laws. Those changes include providing a temporary, nonrefundable tax credit for contributions made by eligible taxpayers to a qualified plan and increasing the annual contribution limits for 401(k), 403(b), and 457 plans to \$15,000 by 2005.

The Joint Committee on Taxation (JCT) estimates that the bill would reduce revenues by \$1.9 billion in fiscal year 2001, by \$27 billion over the 2001-2005 period, and by \$43 billion over the 2001-2010 period. Because the bill would affect receipts, pay-as-you-go procedures would apply.

H.R. 1102 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The bill contains one new private-sector mandate. JCT has determined the cost of this mandate would not exceed the threshold established by UMRA for private-sector mandates (\$109 million in fiscal year 2000, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1102 is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN REVENUES						
Estimated Revenues	0	-1,917	-4,482	-6,292	-8,105	-6,254

Source: Joint Committee on Taxation.

BASIS OF ESTIMATE

All estimates were provided by JCT. Just over half of the revenue loss would result from changes to IRA contribution limits and other IRA rules. Those provisions would account for \$22 billion of the \$43 billion reduction in revenues over the 2001-2010 period. The remainder of the revenue loss would result from the changes to pension laws.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in receipts	0	-1,197	-4,482	-6,292	-8,105	-6,254	-3,821	-3,592	-3,177	-2,725	-2,695
Changes in outlays	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

JCT has determined that H.R. 1102 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

JCT has determined the provision that would prohibit allocations of stock in an Employee Stock Ownership Plan of a subchapter S corporation would be a new private sector mandate. JCT has estimated that the cost of this mandate would not exceed the threshold established by UMRA for private-sector mandates (\$109 million in fiscal year 2000, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On July 17, 2000, CBO transmitted a cost estimate of H.R. 4843, the Comprehensive Retirement Security and Pension Reform Act of 2000, as ordered reported by the House Committee on Ways and Means on July 13, 2000. This estimate reflects various differences between H.R. 4843 and H.R. 1102 as amended by the Senate Committee on Finance, particularly the removal of provisions affecting direct spending. These changes would affect revenues, relative to H.R. 4843, by an increased reduction of \$817 million in 2001, an increased reduction of about \$11 billion over the 2001-2005 period, and a decreased reduction of about \$9 billion over the 2001-2010 period.

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